

DATE:	September 26, 2019
SUBJECT:	NEW 2019-2020 Preliminary <i>Summary of Finances</i>
CATEGORY:	State Funding
NEXT STEPS:	Share with business staff

TO THE ADMINISTRATOR ADDRESSED:

A new preliminary Summary of Finances (SOF) report for the 2019–2020 school year is now available at the Texas Education Agency (TEA) [School District State Aid Reports](#) web page. This letter explains the changes to funding formulas authorized with the passage of House Bill (HB) 3, Senate Bill (SB) 4 and SB 11, 86th Texas Legislature, 2019, Regular Session, and provides information on the data we used in this SOF.

Given the significant changes required by HB 3, other related reports (including the statewide SOF and cost of recapture reports) will be made available throughout the year. Some of the formula funding elements for 2019–2020 remain the same as 2018–2019, and new elements were added or modified. Some tier one allotments were expanded, and new allotments were added. The following paragraphs provide information about the format and data we used in the 2019–2020 SOF report, including planned updates.

LPE vs. DPE: The SOF report contains two columns. The legislative payment estimate is in the column labeled “LPE.” This column includes the property values and student counts that the legislature used during the appropriations process, and these figures form the basis of the Foundation School Program (FSP) payments that your school district or charter school receives throughout the state fiscal year. The district/charter school planning estimate is in the column labeled “DPE.” This column is updated periodically throughout the fiscal year as data are reported to us. This column is intended to provide your district or charter school with a more accurate indication of its actual FSP earnings for the fiscal year. After the close of the fiscal year, the DPE column will be updated to reflect actual data, and we will determine final earnings for the fiscal year. There will be a “settle-up” process to correct any overpayments or underpayments that occurred during the fiscal year. We urge your district or charter school to monitor the differences between its FSP payments and its actual earnings by using a state aid template.

2019–2020 State Aid Template: Links to the 2019–2020 state aid templates developed by the TEA and the Region XIII Education Service Center are available under “Resources” on the [FSP](#) web page.

Charter Schools: A 2019–2020 Estimate of State Aid Template is available on the [Charter School Finance](#) webpage.

As always, we strongly advise your school district or charter school to project state aid based on the best available information. Your district or charter school should complete a state aid template or an equivalent state aid estimation process. The greatest value of the *SOF* report is in explaining the basis of cash distributions to districts and charter schools. Estimates of state aid earned can be significantly impacted by factors not known to the State Funding Division.

Payment Class: A school district's schedule of payments is determined by statutory criteria that are based on the payment class of the district. There are three payment classes defined in statute that are based on wealth per student:

- Districts in payment class 1 have property wealth per student that is less than half the statewide average.
- Districts in payment class 2 have property wealth per student that is between half the statewide average and the statewide average.
- Districts in payment class 3 have property wealth per student that is greater than the statewide average.

Payment classes can be found at the top of the *SOF* report. School district payment classes are calculated using estimated 2019 district property values (final 2018 district property values multiplied by the comptroller's growth estimate of 5.76 percent) divided by estimated 2019–2020 average daily attendance (ADA) relative to the statewide average wealth per ADA. The payment class will remain unchanged throughout the year, even after preliminary state-certified values from the Texas Comptroller's Property Tax Assistance (PTAD) division are received in January 2020.

Charter Schools: Most charter schools' schedules of payments are divided into 12 equal monthly payments. Charter schools that have experienced a growth in enrollment of 10% or more have the option of an accelerated FSP payment schedule for three school years. Charter schools whose accelerated payment classes were up for review at the end of the 2018–2019 school year were evaluated using their 2018 and 2019 enrollment to determine if the accelerated payment classes would be extended for three more years or if the charter schools will need to apply to re-establish eligibility. Charter schools were notified via e-mail if their accelerated payment class has been extended or if an application was required. Requests for accelerated payment schedules were due September 1 and should have been submitted through the charter module of the FSP system accessed through the Texas Education Agency Login (TEAL).

Student Counts: Unless noted below, all student counts (ADA, full-time equivalents (FTEs), and enrollment counts) shown in the LPE and DPE columns are based on the March 2019 attendance projections that were submitted and approved during the appropriations process. Please note that the payments made to your school district during the year are based on the estimated student counts shown in the LPE column. We adjust the student counts in the DPE column when the fall 2019 Public Education Information Management System (PEIMS) enrollment data become available in March 2020. These are adjusted again in September 2020 with final attendance data. We will use the September 2020 student counts in the DPE column to recalculate funding for year-end settle-up. Your district's budget should be based on the student enrollment and program participation that are expected to occur during the year. Your

district should carefully monitor its state aid payments during the year as they may differ from actual earnings at year end and create an overpayment or underpayment.

Charter Schools: Initial estimates are based on estimates submitted by charter schools through the FSP system accessed through [TEAL](#) or, if no estimates were submitted, prior year estimates will be used for payment purposes in September. Because charter school attendance is less predictable than school district attendance, charter school attendance information is updated in both the LPE and DPE columns of the *SOF* report throughout the school year based on 6-week ADA submitted through the FSP System. Charter schools' current-year FSP payments are adjusted accordingly throughout the year.

2019 State-Certified Property Value: Section 48.256, Education Code, as amended by HB 3, provides for using the current, rather than preceding taxable value of property in calculating a district's local share of the FSP. This change applies to all FSP local share calculations including those for the Instructional Facilities Allotment (IFA) and Existing Debt Allotment (EDA) under Chapter 46, Education Code. The LPE and DPE columns on the *SOF* report will be updated in February 2020 after the TEA receives preliminary 2019 state-certified district property values (DPV) from the Texas Comptroller's Property Tax Assistance Division (PTAD). More information about the change to current year values can be found in the following TEA correspondence:

[https://tea.texas.gov/About_TEA/News_and_Multimedia/Correspondence/TAA_Letters/House Bill 3 \(HB 3\) Implementation Current year values](https://tea.texas.gov/About_TEA/News_and_Multimedia/Correspondence/TAA_Letters/House_Bill_3_(HB_3)_Implementation_Current_year_values).

2019 Tax Year Estimated M&O Tax Collections: To estimate the maintenance and operations (M&O) tax collection amounts that appear in both the LPE and DPE columns, the TEA used the 2018–2019 DPE M&O tax collections and then increased that number by 5.76%. (This was the growth factor used in the appropriations process for the current biennium.) The LPE and DPE columns will be updated proportionally, if changes are needed after we receive tax data from the comptroller's self-report in January 2020. After near-final settle-up is processed in September 2020, the DPE column will be updated to reflect tax collections submitted through the tax information survey in the FSP system accessed through [TEAL](#). In April of 2021, the DPE column will be updated with final tax collections from the J-1 schedule of your district's Annual Financial Report.

Charter Schools: The estimated M&O tax collections used for school districts have been used to determine the statewide average variables for charter schools.

2019 Tax Year Estimated I&S Tax Collections: For this preliminary *SOF*, the 2019–2020 interest and sinking fund (I&S) tax collections figure is based on your district's 2018–2019 budgeted I&S collections submitted through PEIMS. These collections will be updated in fall 2020 with I&S collections submitted through the tax information survey in the FSP system accessed through [TEAL](#).

Tax Rates: Detailed correspondence explaining tax rate compression required under HB3 can be found at the following link:

[https://tea.texas.gov/About_TEA/News_and_Multimedia/Correspondence/TAA_Letters/House Bill 3 \(HB3\) Implementation Tax rate compression](https://tea.texas.gov/About_TEA/News_and_Multimedia/Correspondence/TAA_Letters/House_Bill_3_(HB3)_Implementation_Tax_rate_compression). Your district's maximum 2019 M&O tax

rate, 2019 tier one tax rate, and maximum compressed tax rate can be found on lines 10-12 of the *SOF* report. Your district's I&S tax rate displays on line 14 for informational purposes only; this rate is not used in funding calculations. Districts which had M&O tax rates below \$1.04 in tax year 2018 will be able to increase their tax rate up to \$0.97 cents in tax year 2019 without having a voter approved election. District boards that took specific action to begin a Tax Ratification Election (TRE) prior to January 1, 2019 may be allowed to continue to access those additional pennies, subject to compression under HB 3. The LPE and DPE columns will be updated by February 2020 with self-reported data from the PTAD.

Per Capita Rate: A rate of \$259.207 multiplied by projected prior-year ADA is used to estimate the per capita allotment. The rate is subject to change during the fiscal year.

How Tier One Funding is Determined under HB 3: Total cost of Tier One appears on line 42 of the *SOF* report. The Basic Allotment (BA) is increased from \$5,140 to \$6,160 per student in average daily attendance (ADA) for the 2019–2020 biennium. HB 3 made the following changes to adjustments to the BA:

- Cost of Education Index (CEI) is repealed, with funding redirected into raising the BA
- Small and mid-sized adjustment is a stand-alone allotment in tier one
- Small and mid-sized adjustment is treated like all other allotments, except special education funding is increased by the small or mid-sized district weights for small and mid-sized districts.

The BA is used in a series of formulas that consider student characteristics.

Tier One Subchapter B and C Allotments: Subchapter B and C, Chapter 48, Education Code, allotments appear on lines 21-34 of the *SOF* report.

Small and Mid-sized District Allotment: As a result of HB 3, the small and mid-sized district adjustments were recreated as a stand-alone allotment for small and mid-sized districts. Additional background as well as the formulas for the small and mid-sized district allotment under HB 3 for school districts can be found at the following link: <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence/taa-letters/house-bill-hb-3-implementation-small-and->. The allotment is on line 22 of the *SOF* report. For school districts, the LPE and DPE columns are based on an increased BA of \$6,160 and estimated ADA as described in the "Student Counts" section on page 1. The DPE column will be updated at near-final settle-up in September 2020 to use ADA from the district's PEIMS summer submission.

Charter schools will now receive the weighted average funding amount for the small and mid-sized allotment. This change recognizes the population of students in small and mid-sized districts relative to the total student population in the state. However, the funding amount excludes the increased funding for single county districts with fewer than 300 ADA and the increase to the BA resulting from the move to current year property values for school districts. For 2019–2020, this amount is estimated to be \$1,060 per ADA.

Special Education Adjusted Allotment: HB 3 amended the special education allotment under Section 48.102, Education Code, increasing the mainstream special education weight from 1.1 to 1.15. Under HB 3, special education funding is also increased by the small or mid-sized

district weights for small and mid-sized districts. The allotment is on line 23 of the *SOF* report. At least 55 percent of the funds allocated under this section must be used in the special education program under Subchapter A, Chapter 29, Education Code. The LPE and DPE columns use FTE estimates as described in “Student Counts” section on page 1. The DPE column will be updated at near-final settle-up in September 2020 to use FTEs from the district’s PEIMS summer submission.

Dyslexia Allotment: HB 3 establishes a new dyslexia allotment of 0.1 per student in Section 48.103, Education Code, that appears on line 24 of the *SOF* report. Initial funding estimates for school year 2019–2020 will be based on estimates of students identified as having dyslexia or a related disorder that were used during the appropriations process, which were the counts of dyslexia students for the 2018–2019 school year. Final funding amounts (at near-final settle-up in September 2020) will be based on actual counts of students receiving dyslexia services based on data submitted by districts in the PEIMS Summer submission. One hundred percent of dyslexia allotment funds allocated must be used to fund eligible expenditures under the allotment. Additional details regarding this allotment and use of funds can be found here: <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence/taa-letters/house-bill-3-hb-3-implementation-special>.

Compensatory Education Allotment: HB 3 modified the compensatory education allotment under Section 48.104, Education Code. The allotment appears on line 25 of the *SOF* report. Districts will receive an annual allotment equal to the BA multiplied by one of five weights for students determined to be educationally disadvantaged. These weights are based on the tier assigned in that year to the census block group in which a student who is educationally disadvantaged resides. More detailed information about the state compensatory education (SCE) allotment, including uses of funds, census block methodology, and the appointment of an advisory committee, can be accessed in previous [TEA correspondence](#) on this topic, as well as on the [HB 3 webpage](#).

Initial [estimates](#) in the LPE and DPE columns use the campus address to determine the weight to apply for each student who is educationally disadvantaged at that campus. Initial funding is based on 2018 fall enrollment estimates. Actual funding will be based on each economically disadvantaged student census block group submitted in the PEIMS fall submission. Starting in the spring of 2020, the monthly FSP payments will be based on the actual student census block group submitted in the 2019 PEIMS fall data. Requirements regarding the reporting of census block groups in the 2019 PEIMS fall submission are established in HB 3. The tools and instructions for using the tools can be found on the TEA website: http://www.tea.texas.gov/Texas_Schools/General_Information/Census_Block_Group_Tools.

Districts will continue to receive an annual allotment for each student who does not have a disability and resides in a residential placement facility in a district in which the student’s parent or legal guardian does not reside, and an annual allotment for each full-time equivalent student who is in a remedial and support program under the Texas Education Code (TEC), §29.08, because the student is pregnant.

At least 55 percent of the SCE funds allocated must be used to fund supplemental programs and services designed to eliminate any disparity in performance on assessment instruments

administered under the TEC, Subchapter B, Chapter 39, or disparity in the rates of high school completion between: (1) students who are educationally disadvantaged and students who are not educationally disadvantaged; and (2) students at risk of dropping out of school, as defined by the TEC, §29.081, and all other students.

Bilingual Education Allotment: HB 3 modified the bilingual education allotment under Section 48.105, Education Code, to provide an additional 0.05 weight to students using a dual language immersion/one-way or two-way program model. The allotment appears on line 26 of the *SOF* report. The LPE and DPE columns use FTE estimates as described in “Student Counts” section on page 1. The DPE column will be updated at near-final settle-up in September 2020 to use ADA from the district’s PEIMS summer submission. At least 55 percent of the funds allocated under this section must be used in providing bilingual education or special language programs under Subchapter B, Chapter 29, Education Code. More information on the bilingual education allotment is forthcoming by the end of September at tea.texas.gov/hb3.

Career and Technology Allotment: The career and technology allotment was amended by HB 3 in Section 48.106, Education Code, to expand the career and technology allotment to add new courses (tech apps) and apply the allotment to high school CTE and tech apps courses taught in seventh and eighth grade. The allotment appears on line 27 of the *SOF* report. At least 55 percent of the funds allocated under this section must be used in providing career and technology education programs in grades 7 through 12. The LPE and DPE columns use FTE estimates as described in “Student Counts” section on page 1. The DPE column will be updated at near-final settle-up in September 2020 to use FTEs from the district’s PEIMS summer submission.

Early Education Allotment: The early education allotment established by HB 3 in Section 48.108, Education Code, appears on line 29 of the *SOF* report. Funds are allocated to improve student performance in early elementary reading and mathematics, which includes supporting full-day prekindergarten. Funding is determined by multiplying 0.1 by the BA for each economically disadvantaged student and each limited English proficiency student in K-3. Students who are both economically disadvantaged and limited English proficiency receive 0.2 times the BA. The LPE and DPE columns use estimates based on student counts from the 2018–2019 school year. The DPE column will be updated to use ADA from the district’s PEIMS summer submission at near-final settle-up in September 2020.

Eligible prekindergarten students will continue to generate half-day ADA. Early Education Allotment funds (generated by your K-3 students) will come on top of this prekindergarten ADA. Funds may be used:

- for the second half of the day for eligible 4-year-olds.
- to support implementing early literacy and mathematics proficiency plans that lead to improved third grade proficiency.
- to pay for teachers and principals attending the Reading Academies.

One hundred percent of the early education allotment funds allocated must be used to fund eligible expenditures under the allotment.

High School Allotment: The High School Allotment has been repealed and removed from the *SOF* report, with funding redirected to other college, career, and military readiness (CCMR) investments.

CCMR Outcomes Bonus: The CCMR outcomes bonus established by HB 3 in Section 48.110, Education Code, appears on line 30 of the *SOF* report. Districts will receive an outcomes bonus in the 2019–2020 school year, and this bonus will be generated from 2017–2018 graduates. The LPE and DPE columns are based on the methodology and data used during the legislative process. The LPE and DPE columns will be updated in April 2020 to include final CCMR outcomes. Background information, methodology, criteria and data sources for the CCMR outcomes bonus can be found in the following presentation:

https://tea.texas.gov/sites/default/files/HB3%20Video%20Series_CCMR_OutcomesBonus_v12.pdf. At least 55 percent of the funds allocated under this section must be used in grades 8 through 12 to improve CCMR outcomes.

Fast Growth Allotment: The fast growth allotment established by HB 3 in Section 48.111, Education Code, appears on line 31 of the *SOF* report. This allotment recognizes the additional challenges and costs to districts experiencing rapid enrollment growth. School districts in the top quartile of growth in student enrollment over the preceding three school years will be eligible for the allotment. The allotment will be calculated based on applying a funding weight of 0.04 to the BA and multiplying by eligible districts' ADA. The TEA will be adopting rules regarding the allotment by the fall. A preliminary list of school districts currently projected to receive the fast growth allotment is located here:

<https://tea.texas.gov/sites/default/files/Fast%20Growth%202019.pdf>.

Teacher Incentive Allotment: The teacher incentive allotment was established in Section 48.112, Education Code, and appears on line 32 of the *SOF* report. The LPE and DPE columns will be zero until near-final settle-up in September 2020 when DPE will be updated with final data. More information on this topic is forthcoming in October 2019 on the [HB 3 webpage](#).

Mentor Program Allotment: The mentor program allotment is established in Section 48.114 by HB 3 and appears on line 33 of the *SOF* report. No funding will be distributed in the 2019–2020 school year. The first group of districts will apply in the 2020-2021 school year, and the funding would begin in 2021. More information on this topic is forthcoming in October 2019 on the [HB 3 webpage](#).

School Safety Allotment: A school safety allotment was established by SB 11 under Section 42.168, Education Code. The allotment appears on line 34 of the *SOF* report and is set at \$9.72 per student in ADA. The LPE and DPE columns use estimates of ADA as described in the “Student Counts” section on page 1. The DPE column will updated at near-final settle-up in September 2020 with ADA from the districts' PEIMS summer submission.

Tier One Subchapter D Allotments: Subchapter D, Chapter 48, Education Code, allotments appear on lines 35-44 of the *SOF* report.

Transportation Allotment: HB 3 amended Section 48.151, Education Code, to provide entitlement based on a rate per mile set by the Legislature in the General Appropriations Act

(GAA). The LPE and DPE columns are estimates based on your school district's estimated 2018–2019 route miles multiplied by the GAA-established rate of \$1 per mile. The DPE column will be updated at near-final settle-up in September 2020 based on information submitted by districts through the FSP subsystem accessed through [TEAL](#).

New Instructional Facilities Allotment (NIFA): The NIFA program can provide up to \$1,000 per student in ADA in an eligible new campus in the first year of operation and up to \$1,000 per each additional ADA in the second year of operation to help with any start-up costs associated with opening a new campus. Section 48.152, Education Code, as amended by HB 3, expanded the definition for a new instructional facility to include a repurposed instructional facility or a leased facility operating for the first time as an instructional facility with a minimum lease term of not less than 10 years. The total amount appropriated for the program is limited by statute to \$100 million per year; therefore, the amount provided per student will depend upon the total amount of NIFA applications approved. Districts are required to submit applications to the FSP subsystem accessed through [TEAL](#). The deadline to submit applications this year was July 15. Approved NIFA applications will be incorporated into line 36 of the 2019–2020 preliminary *SOF* report by October 2019. Program information can be found on the [NIFA](#) web page.

Dropout Recovery and Residential Placement Facility Allotment: The dropout recovery and residential placement facility allotment established by HB 3 in Section 48.153, Education Code, appears on line 37 of the *SOF* report. The LPE and DPE columns contain estimates based on prior year data. The DPE column will be updated at near-final settle-up in September 2020 with ADA from the districts' PEIMS summer submission.

College Preparation Assessment Reimbursement: The college preparation assessment reimbursement was established by HB 3 in Section 48.155, Education Code, to reimburse districts that offer one free college preparation exam per student before they graduate. The reimbursement appears on line 39 of the *SOF* report. The amount for FY20 will be based on 100% of projected grade 11 enrollment plus 50% of projected grade 12 enrollment multiplied by \$35 per student. More details can be found in the following presentation: https://tea.texas.gov/sites/default/files/HB3%20Video%20Series_CCMR_OutcomesBonus_v12.pdf. Districts will need to keep track of students and their selected exams for back-up documentation. If students do not take the SAT or ACT exams, this funding will be returned to the agency during settle-up in April 2021.

Certification Examination Reimbursement: The certification examination reimbursement established by HB 3 in Section 48.156, Education Code, appears on line 40 of the *SOF* report. Reimbursement is provided once per high school student who meets the requirements of TEC Section 29.190(a), as amended by HB 3, for any of the Industry-Based Certifications (IBCs) in A-F accountability. More details can be found in the following presentation: https://tea.texas.gov/sites/default/files/HB3%20Video%20Series_CCMR_OutcomesBonus_v12.pdf. Initial estimates are based on district CTE enrollment multiplied by \$8.51 and provides districts with funds to pay for IBCs when the student earns the IBC. Districts will need to keep track of students and their selected exams for back-up documentation. Unused funds or additional funding to cover the cost of exam fees paid for students who earn a certification will be a part of the April 2021 settle-up process.

How Tier Two Funding is Determined under HB 3: Tier Two funding appears on line 46 of the *SOF* report. Tier two is comprised of two levels of guaranteed yield funding on the pennies of tax effort that exceed a district's tier one tax rate (\$0.93). The enrichment tax rate is defined as any tax effort in excess of the tier one tax rate, \$0.93, and less than \$1.17. The enrichment tax rate will continue to be divided into "golden pennies" and "copper pennies." The golden pennies have been increased from 6 to 8 under Section 48.202 (a-1)(1), Education Code, and the copper pennies refer to 2018 tax effort between \$1.08 and \$1.17.

The tax rate compression required for the enrichment tax rate is applied only to the copper pennies. The compression rate required under Section 48.202(f), Education Code, will be 0.64834, calculated as the fraction of the guaranteed yield level of state and local funds per weighted student for the 2018-2019 school year (\$31.95) divided by the guarantee level for the 2019-2020 school year (\$49.28).

Subchapter F Allotments: Subchapter F, Chapter 48, Education Code, allotments are part of line 47, Other Programs, on the *SOF* report.

Formula Transition Grant: HB 3 created a formula transition grant in Section 48.277, Education Code, for districts that would receive less than 103 percent of their total maintenance and operations tax revenue per student in ADA than in the 2019–2020 school year in even numbered years or the greater of the 2019–2020 or 2020–2021 school years in odd numbered years. The grant is limited to the lesser of the difference of 103 percent of current entitlement to a district's revenue under current law for the applicable school year, or 128 percent of the statewide average revenue per student in ADA. The grant is part of Other Programs on the *SOF* report and will appear on the Other Programs Detail Report with its own detail report (once that report is made available). The TEA will be adopting rules regarding the grant in spring of 2020.

Equalized Wealth Transition Grant: HB 3 eliminates the benefit received by districts subject to reduced recapture based on information from the districts in the 1992–1993 school year over a five-year period, through the creation of the Equalized Wealth Transition Grant in Section 48.278, Education Code. The grant establishes a 5-year glide path off of the 1992–1993 Chapter 41 hold harmless (repealed by HB 3) calculated as the amount a district received in 2018-2019. The grant is part of Other Programs on the *SOF* report and will appear on the Other Programs Detail Report with its own detail report (once that report is made available).

Staff Salary Allotment: The staff salary allotment under former TEC, §42.2153 was repealed by HB 3. This line has been removed from the *SOF* report.

Reimbursement for Interest Refunds: HB 3 entitles school districts under Section 48.271(c), Education Code, to reimbursement for the amount of interest included in a refund made by a district under Section 42.43, Tax Code, in the state fiscal year ending August 31, 2018, or August 31, 2019. A letter from the district's external independent CPA auditor certifying the amount along with documentation from the tax assessor collector verifying the refund is required. The reimbursement will be part of Other Programs on the *SOF* report and the Other Programs Detail Report (once that report is made available).

Charter School Facility Funding: In accordance with TEC, §12.106(d), eligible charter schools are entitled to an allotment per ADA based on the state average interest and sinking (I&S) tax

rate imposed by school districts. Funding for eligible charter schools will be distributed (along with all the other state aid) in accordance with the standard foundation school fund payment schedule. The total amount of funding available is limited to \$60 million. Charter schools do not need to apply to the TEA to receive the funding. The allotment is part of Other Programs on the *SOF* report and will appear on the Other Programs Detail Report with its own detail report (once that report is made available). A revised calculation of the amount will occur in September 2020 immediately following the school year and will be based on actual attendance data submitted to the Texas Student Data System (TSDS) PEIMS summer submission and the actual state average district I&S tax rate for the 2019 tax year. Any differences in funding between the estimated and near final amounts will be incorporated as part of the regular FSP settle-up process.

Additional State Aid for School Districts that Contract to Partner to Operate a District Campus: HB 3 authorizes additional state aid under the TEC, §48.252 for districts to enter into contracts to partner with an open-enrollment charter school, or other eligible entity to operate a district campus. For each partnered campus that meets eligibility requirements, the district is entitled to receive for each student in ADA at the campus the greater of either the amount of state funding to which the district would be entitled or the amount of state funding to which an open-enrollment charter school would be entitled. The 2019–2020 State Aid Template may be used to estimate the additional funding. For payment purposes, the additional state aid for school year 2019–2020 for school districts that contract to partner to operate a district campus will flow through “Other Programs” on the *SOF* report. A detail report will be added to the “Other Programs Detail Report” on the 2019–2020 *SOF* report in the coming months.

I&S State Aid: I&S state aid appears on lines 51-54 of the *SOF* report.

Existing Debt Allotment (EDA) and Instructional Facilities Allotment (IFA): If your district qualifies for the EDA or the IFA, the preliminary allotment, based on 2018–2019 data and estimates of 2019 DPV as described in the “2019 State-Certified Property Value” section on page two, appears on line 49 (EDA) or line 50 (IFA) of the *SOF*. House Bill 21, 85th Legislature, 1st Called Session, increased the guaranteed yield (GY) from \$35 to \$37 in school year 2018–2019. The appropriation was limited to \$60 million dollars, so the GY for 2019–2020 is estimated to be \$38.10 for payment purposes and will be revised again at near-final settle-up in September 2020 based on final refined ADA.

Program information can be found on the [EDA](#) web page and the [IFA](#) web page. Please be aware that allotments under these programs will be reduced if I&S tax collections plus any remaining balance of unequalized collections are insufficient to meet districts’ local share requirements under the programs.

Additional State Aid for Homestead Exemption (ASAHE) for facilities: The ASAHE for facilities allotment under Section 42.2518, Education Code, compensates districts for I&S tax collections lost due to the increase to the state mandated homestead exemption from \$15,000 to \$25,000. This allotment ensures that districts will have the revenue necessary to make payments on eligible bonds. Preliminary allotments will be updated in fall 2019.

Local Revenue in Excess of Entitlement (Recapture): The recapture formula modified by HB 3 in Section 48.257, Education Code, appears on line 56 of the *SOF* report. The formula for recapture is now local revenue in excess of entitlement instead of on a wealth per WADA basis. Under HB 3, districts only pay tier one recapture on the amount above their formula entitlement. HB 3 modifies local revenue subject to recapture to be local revenue in excess of entitlement and is calculated by subtracting a district's tier one entitlement (and credit for appraisal costs) from its available school fund (ASF) distribution and local fund assignment.

School districts with local revenue levels estimated to exceed the tier two, level two guaranteed yield of \$49.28 were notified separately. However, the final determination of whether a school district will be required to make recapture payments is based on the district's tax effort and the extent to which the district's local revenue level exceeds the tier one entitlement or the tier two copper penny guaranteed yield of \$49.28, if the district is assessing copper pennies.

Initial estimates use a proxy for 2019 DPV (2018 DPV *1.0576). DPE estimates will be updated in January 2020 after *preliminary* 2019 DPV is received from the Texas Comptroller's PTAD. The TEA will make a final determination regarding the payment of excess local revenue using a district's final enrollment, entitlement and local share under Chapter 48, final state certified property values for tax year 2019, adopted maintenance and operations (M&O) tax rate for tax year 2019, and 2019–2020 M&O tax collections.

If you have any questions about the *SOF* report, please contact a state funding consultant at (512) 463-9238. Additional contact information appears at the end of this letter.

Sincerely,

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Assistant Director of State Funding

STATE FUNDING DIVISION CONTACT INFORMATION

General *SOF* Report

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Tax Rate Compression, Additional State Aid for School Districts Which Contract to Partner to Operate a District Campus

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Attendance Projections

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